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Discussion on Land bank of the state of



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Discussion of
LAND BANK
of the State of New York

**CONVENTION OF
NEW YORK STATE LEAGUE OF SAVINGS
AND LOAN ASSOCIATIONS
BUFFALO, N. Y.**

June 11th, 1914

INTRODUCTION

The Savings and Loan Associations enjoy great privileges under their charters from the State of New York. They are safeguarded by the Banking Department, certified as worthy of public confidence, protected from unfair and unworthy competition, and fostered by every proper device of law.

In return the State of New York now asks the Savings and Loan Associations to make their business state-wide, to include within the area of their activities the rural, as well as the suburban and urban fields. To do this it is necessary that the source from which your funds are obtained shall have the widest possible range, without altering in any manner the scope and area and conditions for making your investments. The plan does, however, increase the facilities of every association which affiliates with the central body.

To enable you to do this the State has opened a way for the Savings and Loan Associations to reach the great stores of wealth that are looking for investment, by permitting you to issue debenture bonds, secured by your own first mort-

The bill providing for a Land Bank was passed by the Legislature of 1914 at the urgent request of the HON. MARTIN H. CLEGG, GOVERNOR OF THE STATE.

gages, and to market them, through the medium of a Central Savings and Loan Institution, called the "Land Bank of the State of New York."

This addition to your powers and privileges may be obtained by the associations by means of the passing of a new by-law. The Banking Department has sent you this by-law, and it is your duty to the State, as well as your own great privilege and to your profit, that you adopt this by-law and affiliate with the Land Bank of the State of New York, which will work solely for the benefit of its member associations.

The Banking Law provides that the shares of this central institution can be subscribed and owned only by Savings and Loan Associations. Its minimum capital is \$100,000, and at least ten associations, whose aggregate resources are more than \$5,000,000 must become its incorporators.

Information will be readily secured by communicating with E. F. Howell, acting secretary of the Organization Committee, 253 Broadway, New York, or

HON. G. I. SKINNER,
Chairman.

ADDRESS BY EDWIN F. HOWELL

Membership in the Land Bank, said Mr. Howell, will not interfere with the present manner of doing business in the Savings and Loan associations, and they will not be called upon to change a single feature of their business methods. It will, however, give greater power and prestige to the associations. It will bring to them a portion of their funds at a lower rate of dividend than is now paid, and will secure that portion for a long definite period, whereas now all our funds are payable on demand.

In the United States the co-operative institutions in making long time mortgage loans depend entirely upon money deposited by saving members. On the other hand, Europeans depend upon funds gathered from non-members secured by bonds issued by the societies and running for long terms.

While the Europeans use investment funds, we in the United States use savings. We now propose to use both saving and investment money.

The Savings and Loan Associations of New York State are about to organize the first Central Land Bank in America.

These associations are the fit and proper institutions to conduct the special business of a land bank. We are engaged exclusively in lending money on the first mortgage of land. For forty-six years this business of the co-operative purchase and clear ownership of land has been carried on in New York, and has been constantly growing. Since 1892 it has been recognized as a legitimate branch of banking, been included in the provisions of the banking law, and been under the supervision of the banking department. Its progress has been steady, without any particular exploitation that might bring it into prominent public notice. Today we have 250 societies in this State, 152,000 members and \$65,000,000 of capital invested in co-operative land mortgages.

It has been said that these societies have not the necessary breadth of character to handle the new phase of our business which has been entrusted to us. If I read the new law aright, provision has been made so that our land bank might be organized with an authorized capital of \$6,500,000. But we are aiming to build up this central institution upon the most conservative lines, and by the most approved and prudent methods. The first consideration that appeals to us is that we shall not inaugurate a movement of inflation. Our interests and those of our clients and our prospective clients are solidly against land speculation or inflation. We propose to proceed cautiously. The Land Bank will be organized with an initial capital of \$100,000, but we expect and believe that by the time we begin business, that is, by the first day of November, we shall have 100 member associations and a paid-in capital of \$200,000, which will be an ample basis for all the legitimate work of the Land Bank for its first year's business. I want to emphasize the fact that the provision for capital in this institution is upon the co-operative plan, that is, as the business grows legitimately the capital will increase automatically.

The Land Bank is not a bank of deposit. It will not take deposits, even from its own member associations. Its single purpose is to make mortgage investments liquid. It will receive from its member associations their first mortgages of land, and using these mortgages as a basis of security, will issue bonds and sell those bonds to the investing public, and deliver the proceeds to the member association, whose mortgages have been made the basis for the bonds. The member associations will use this money for further investment in mortgages in their own locality.

The Land Bank will not deal with individual borrowers. It will handle only such mortgages as its member associations bring to it. All the mortgages that the Land Bank will deal in, therefore, must come to it with the approval of the community in which the land is located, through the medium of a savings and loan association, which itself is a banking institution.

The Land Bank restores the business of the saving and loan associations to its original sound and economically true position. It swings us away from our apparent approach to the proper field of the savings bank. We are not, and never were, intended to be savings banks, such as they are known in New York, yet we must have money, and great sums of money, to carry on our business of promoting the industries of and ownership of land, including especially that of home-owning. Land mortgages are primarily investments, and it is, therefore, the soundest and truest economy that we should use investment money.

Mr. Chairman, it is a difficult matter to prepare a paper on a subject of this character that would answer all the objections and the questions that might be put on this subject.

When I had reached that portion of the work, I recalled those difficulties and decided instead to give answers that would so far as possible meet the views of this large mixed audience.

A delegate has handed me a number of these questions and the first is: "How does it benefit our association?"

There are two principal benefits, and unless an association can see its way clear to profit by either one of them, it won't use the Land Bank. The first is that the Land Bank will secure for it investment money, at a lower rate of dividend or interest, than you are paying now to your members.

In the second place, instead of having your entire liability to members payable on demand, as it is now, while you have it invested in long-term mortgages, you will have what you receive by the sale of bonds, placed for long, definite periods.

These are the two financial benefits to be obtained by the associations.

Another question is: "What is the by-law and when must it be adopted?"

The by-law, as sent out by the Banking Department, is one which must be passed by your shareholders, and its object is to place in your board of directors the power to consider the question of your association becoming a member of the Land Bank. It must be adopted before your board of directors can take any decisive action on the subject.

The next question is: "Does it require a special meeting of the association?"

That answers itself. If you wish to take that action now—that is, at any time between now and your annual meeting in January—you will have to call a special meeting. You can defer the submission of your by-law until the annual meeting. In that case, you will take no part in incorporating and organizing the Land Bank.

Another question is: "Can it be done by the written vote of the members?"

No, because that method is not provided in the laws of the State as the manner for amending your by-laws.

The next question is: "Can we use our surplus funds to subscribe for shares?"

If the association subscribes for shares, it takes the money necessary for that purpose from its general funds. As a matter of bookkeeping it will be charged as an investment. The shares that it purchases will be carried as an asset of the association.

The next question is: "Do we get bonds for the amount subscribed?"

For the amount you subscribe to the capital stock of the Land Bank, you will receive a certificate of shares in the Land Bank. There is no such relation between the capital of the Land Bank and its bond issues.

Another question is: "What interest is it expected will be paid on stock or bonds?"

This question is rather indefinite. On the shares which an association may own in the Land Bank, it will receive whatever dividend the Land Bank pays upon those shares nothing more, nothing less. The dividend that the Land Bank will pay should equal the income of your own present investments.

As to bonds, this is a separate question: "What interest is it expected will be paid on bonds?"

I take it that that means on the bonds that the Land Bank sells, what will be the rate of interest. That is a question that no one can answer until we are ready to negotiate the sale of bonds. Interest is what is paid for the use of money. The tendency of the rate of interest is constantly and forever downward. It fluctuates but does not permanently fall in a day or a year, but during the long lapse of time, the rate of interest is positively and certainly downward, for this incontrovertible reason: that we are continually increasing the ease with which wealth is produced; therefore, the amount of our surplus product, which is our wealth, our stored-up wealth is continually growing; as that surplus product is continually increasing, and increasing also by the introduction of improved means of production at a greater rate than our population grows, for the purpose of using it, the law of supply and demand will positively regulate that rate of interest, and regulate it downward. It fluctuates with certain artificial laws. A few years ago the rate of interest, the natural rate of interest, was somewhere between two and two and one-half per cent. That was what you could get money for in the open market; that is, money that you only held from day to day. That was the real rate of interest. At the present time it is about three per cent.

Now, there are two factors that modify that natural rate

of interest. One is the security that is given to the person who lends the money, and the other is its availability to the owner of the money. When the United States Government, whose security is absolute, borrows money, it gets it practically at the regular market rate, for any period of time it may choose to use it.

The bonds of the Land Bank, being based on about fifty per cent. of the value of the land and improvements which are mortgaged to secure them, will be the safest investment that we have in this country next to the government issues, and the money that will be paid the Land Bank for these bonds will be had at the lowest possible rate that money can be obtained for in the money market. There are companies already asking us for the privilege of handling our bonds.

The next question is: "How can an association withdraw, if it finds that the Land Bank is not beneficial to it?"

An association, which becomes a member of the Land Bank, but does not make itself liable for any obligation of the Land Bank by issuing bonds through that medium, and providing that the capital of the Land Bank is more than one hundred thousand dollars, can withdraw by giving one year's notice. The Land Bank would upon the expiration of that time return its capital to the withdrawing association, and its connection with the Land Bank would cease.

The next question is: "How will the officers be elected and what salary is it proposed to pay them?"

These two questions can only be answered upon the adoption of by-laws. I might say that I believe it is the consensus of opinion of the gentlemen who are engaged in considering that subject, that a system of electing directors will be provided, that will make them positively representative of every section of the State territorially. The officers will all be elected by the Board of Directors.

In regard to salaries I believe it is also—I think I voice the opinion of all the gentlemen who are engaged in considering this subject—it is provided that the directors and officers will serve the Land Bank without pay until the business demands and does of itself pay for the full service of its officers; and that in the employment of clerks the same terms will be

observed as those of any association. This institution is being created for service to the associations, nothing else.

The next question is: "Can we borrow from the Reserve Bank?"

Ordinarily, no. The Land Bank will not do a business of lending money. It is not a bank of deposit or discount and will not lend on notes.

Another question is: "Where do they get funds to loan to us?"

The funds coming to the Land Bank will be received from the sale of their bonds. Money is one of those things that we can get almost anywhere. When we have the bonds to sell, it will be up to the Board of Directors to find a place where they can get the money and deliver the bonds.

The next question is: "What security do we put up?"

Your first mortgages of land must be deposited with the Comptroller of the State of New York in the proportion of one hundred dollars worth of mortgage for every eighty dollars of bonds that the Land Bank will issue and sell on your account.

Gentlemen, if I am not making this clear as I go along, I would like you to interrupt me. I am anxious to make it clear.

Mr. J. H. White (Schenectady)—The land you mentioned in your argument, do you include the buildings, etc., on that land?

Mr. Howell—Every mortgage of land includes the improvements on it, without being specifically named in the mortgage; and I did not believe it was necessary to specifically name it in this discussion. A mortgage of land includes, always, the improvements upon that land.

Mr. White—In other words, then, you will not take land as security without improvements. You will not take vacant farms, you might say, or an adjacent farm that might be vacant and operated by an adjacent owner of the property?

Mr. Howell—The Land Bank will not make an individual mortgage at all. It will receive mortgages only from savings and loan associations. It will take nothing from a savings and loan association that that savings and loan association is

not authorized by its by-laws and the law, and which it does take itself in the regular course of business. The Land Bank will only deal with its member associations so far as that side of the business is concerned. All the mortgages that will come to the Land Bank will be made by a savings and loan association. There is no material change in the law in regard to the character of the loans which the savings and loan associations are permitted to make. Neither will any savings and loan association be asked to make a loan by the Land Bank. They will do their own business in precisely the same way that they do it now.

I may mention here that there is a change in the law, in this new law, in regard to the mortgages which every association is permitted to take. The old law required that loans made on the security of vacant land could not exceed the rate of fifty per cent. of the value of that land; and that improved land, where the improvements were greater in value than the value of the land, could be made up to the figure of eighty per cent. The new law requires that loans secured by vacant land shall still be at the rate of fifty per cent. of the value of that land. Improved land, however, where the land is worth more than the improvements upon it, may be accepted as security by the association for a loan of sixty per cent. of the value of the property. The rate of eighty per cent. remains as it was before, in cases where the value of the improvements exceeds the value of the land.

There is one other requirement in the law in respect to the Land Bank. It is that every ¹²⁰ mortgage you turn over to the Land Bank ~~must not~~ ^{may not} exceed seventy-five per cent. of the value of the property it covers. The associations are still permitted to loan eighty per cent. of the value of improved property, but they cannot turn over to the Land Bank any mortgages that are of a greater percentage than seventy-five.

Mr. White—In asking you this question, I had in mind the affairs of the Industrial Association, which are being now adjusted by the Banking Department of the State of New York; and as you asked for questions, I merely put that question to bring out that thought and your idea of the matter.

We do not care to have associations connected with this

League, or any association, put in the position of the Industrial Association, and of having its affairs straightened up by the State of New York, lands advertised for sale, etc., because of errors that have been made by that association.

Mr. W. A. Ernst (Brooklyn)—Have you any idea as to where this Land Bank is to be located, at Albany, or New York, or Rochester, or Buffalo, or where? Have you got a memorandum of that?

Mr. Howell—The statute itself specifically states that it is to be in New York County.

There is another question: "Will the Bank loan money to us?"

It will not loan money. The associations will do the lending. The business of the Land Bank is to find money for the associations at the lowest possible market rates.

The next question is: "What evidence do they furnish?"

You will receive money from the Land Bank, which it will receive from the purchasers of its bonds. Those bonds will be placed upon the market by the Land Bank and secured by your mortgages. If you want a temporary loan from the Land Bank, that can be arranged in several ways by the use of the bonds of the Land Bank, but the Land Bank will have no money of its own to lend. One way will be to own some bonds and borrow money on them temporarily. The business of the Land Bank will be to deal in bonds for the benefit and account of its member associations. It will be in a measure the trustee and agent for the associations in selling bonds secured by their mortgages.

"What evidence do they furnish of having such funds?"

The Land Bank will be a banking institution. It will be under the control of the Superintendent of Banks. It will make reports the same as you do, and will furnish you with just the same evidence that it is qualified to handle money that you now furnish to the borrowers who come to you looking for loans. It will have a definite business to do for the savings and loan associations. A business that no association can do for itself. You never ask a man what evidence he has that he has money. You ask him for it, if he has it you do business; if he hasn't, he will tell you so.

The next question is: "How about the fifty-mile limit of territory?"

There is no change in the fifty-mile limit of territory. Every local association in the State is now bound by its fifty-mile radius, and the Land Bank will only do business with associations. It is limited to that business and to the fifty-mile radius of its member associations. If an association, for instance, in Buffalo, desires to do business with the Land Bank, the business of the Buffalo association is confined to its own radius of fifty miles, and the Land Bank can do no business with that association in Buffalo except within its fifty-mile radius. There is no change, absolutely no change, in the business methods of associations.

A Voice—Does it loan only on the straight mortgage plan, or are both acceptable?

Mr. Howell—I take it, Mr. Chairman, that the first business of a savings and loan association is to do an installment mortgage business. Now, it is true that some associations take permanent mortgages, and I see no reason why the Land Bank should not do business with an association that will put up a permanent mortgage. I see the possibility, though, Mr. Chairman, that the Land Bank will be loath to do business in bonds secured by permanent mortgages. They will prefer to do business principally on the installment mortgages of the regular building and loan associations.

A Voice—In case it should become necessary for the association to foreclose one of the mortgages which it shall have assigned to the Land Bank, who takes the work in hand, the association or the Land Bank? Does the Land Bank do the foreclosing?

Mr. Howell—No sir. The association would be compelled to substitute a good mortgage for the bad one, and would be compelled to do that in any event, because it must guarantee every mortgage it assigns to the Land Bank. Every association itself is primarily responsible for the business it brings to the central institution. The Land Bank is not going to take any cats and dogs off any association.

Mr. Stratemeier (Hamburg)—Suppose there are thirty thousand dollars of mortgages with the Land Bank, is it under-

stood that the savings and loan association continues to receive interest on those mortgages and account, in turn, to the Land Bank.

Mr. Howell—Yes. The association will become the agent of the Land Bank and will collect the money just the same as it did before it made the assignment, but it will have to account to the Land Bank for those collections.

Mr. Henry G. Eckhoff (New York)—The question of withdrawal from the association, on condition that the capital be one hundred thousand dollars. How is that capital going to be obtained?

Mr. Howell—I will assume that the Land Bank begins with a capital of one hundred thousand dollars, and after it has been in business a year it has transacted no bond business and has not increased its capital beyond one hundred thousand dollars by the incoming of more associations, it will be a failure and we will all want to close it.

The capital of the Land Bank, as I said before, must increase automatically with the business that it does, for this reason: The issue of its bonds is limited by the amount of the capital of the Land Bank, at the ratio of twenty dollars of bonds issued by the Land Bank, for every one dollar of its capital. Now if, upon the original capital, the Land Bank should issue twenty times that, or two million dollars of bonds, that, in itself, would mean that every member association in the Land Bank had issued twenty dollars in bonds for its proportion of the capital.

Mr. Eckhoff—Would that increase the capital of the Land Bank?

Mr. Howell—No, but that would be the limit of bonds that the Land Bank could issue. Before they could issue another dollar's worth of bonds, they would have to have an addition to their capital. In order to issue four million dollars' worth of bonds, they would need to have a capital of two hundred thousand dollars. By the time they issued twenty million dollars' worth of bonds they would have one million dollars capital.

Every association that becomes a member of the Land Bank must put up towards the capital of the Land Bank one thou-

sand dollars for every twenty thousand dollars' worth of bonds that the Land Bank would issue on account of such association.

Mr. B. G. Parker (Gouverneur)—I wish to ask, Mr. Howell, if the association should issue twenty thousand dollars' worth of bonds and desired to make another issue of twenty thousand dollars, before we could make that second issue we would have to again subscribe for one thousand dollars' worth of stock in the Land Bank?

Mr. Howell—Yes sir.

Mr. Parker—And that would apply to every association? In other words, an association would be obliged to own a one-thousand-dollar share in the Land Bank for every twenty thousand dollars of money that it secured through that source?

Mr. Howell—Yes sir.

Mr. Piper—Do I understand that the monies invested by the companies in the shares in the Land Bank are to be invested by the Land Bank in gilt-edge securities and held, and that no part of the money invested in the shares by the associations is going to be used for the expenses of the Land Bank; that the expenses have got to be provided for in some other way?

Mr. Howell—Yes sir.

Mr. Piper—So that the investments of the companies in the Land Bank, whether the Land Bank is a success or not, are absolutely secured; so there is no reason for fear, on the part of the associations, in investing in the shares of the Land Bank?

Mr. Howell—To my mind, Mr. Chairman, there is no risk anywhere. At no point is there any greater risk in the business of the Land Bank than there is in the Federal Reserve. The Federal Reserve deals with the national banks, and every national bank that takes a dollar in paper to the Federal Reserve is responsible for it, and the only possible loss that can happen to the Federal Reserve is the failure of the national bank that puts the paper up. It is the same way with the Land Bank. There is absolutely no risk. The capital that a savings and loan association subscribes to the capital of the Land Bank is specifically by law invested in savings bank se-

curities. It is not used in the business of the Land Bank at all. There is no reason for using it in the business of the Land Bank. It is simply the basis of the credit of the Land Bank and the means of limiting the amount of bonds that go on the market.

Mr. Piper—Will you kindly explain how the profits are to be made by the Land Bank, to pay the dividends on the shares of the stock held by the associations?

Mr. Howell—There is some question among the gentlemen who are considering this subject, on that particular point; and although we had a meeting this morning, that matter did not come under discussion. My own opinion is that the Land Bank should be conducted purely on a co-operative basis; that is, that the income derived from the capital of the Land Bank shall first pay its proportionate contribution to the guarantee fund of the Land Bank, provided in the law, and that the entire remainder of that income shall be divided among its member associations; that the expenses of the Land Bank when in full working operation will be provided by an assessment on the associations that use it for floating bonds. The member associations themselves will control every dollar of the expense of the Land Bank, and will be, themselves, to blame if the expenses are more than they should be.

Mr. LeGrand W. Pellett (Newburgh)—Will the Land Bank be exempt from the Income Tax?

Mr. Howell—I am afraid that the State of New York does not control the Federal government, and it is not within our power to make such an exemption. It is not within the power of the State of New York to legislate an exemption from the Income Tax.

Mr. B. G. Parker (Gouverneur)—There is one point that has not been made clear, I think, to all of us. The question has been asked as to how the Land Bank is to receive the money to pay its clerks and pay for the necessary taxes and other expenses. Now, we all know that the Land Bank starts off with one hundred thousand dollars capital, and that is invested in savings securities, and that the returns from that one hundred thousand dollars will probably not be more than forty-five hundred dollars per year. Now, if that forty-five

hundred dollars is used, as someone said, to meet these expenses, then we cannot expect any dividends on our stock.

I do not know what has been in the minds of some of those who have been instrumental in this thing and done most of the work; but I have been in this conference with some of them and I have felt that we ought to get away from the idea that we are going to assess the local associations directly for the expenses. These expenses of the Land Bank, that is, the expense of four or five thousand dollars a year, that money should be raised by assessments on each association that is a member.

We know full well that if the Land Bank, through its organization, can obtain money for us at a low rate of interest, that that is worth something. If they can go into the market and get money on the basis of four and one-quarter per cent., and turn it over to the association on a basis of four and one-half per cent., leaving them that little difference in margin to pay expenses; if they can work out some such idea as that and get a commission on that, and furnish us money as we want it, and when we want it, and for a lower rate of interest than we can get anywhere else, certainly, those who go to the bank for it should be willing to pay the one-quarter or one-half per cent. It seems to me the expenses of the bank should be taken care of in that way.

On the other hand, if the associations can obtain money from the Land Bank on the basis of four and one-quarter per cent., they can very well afford to pay a little assessment, because the savings of one and one-half per cent. on a loan of twenty thousand dollars would be quite a little item; but I for one would like to see the business handled by the Land Bank done on a commission, on a small commission, to those who get the money, and do away with any idea that the association is going to be assessed for those expenses.

Most of us have borrowed money for the first time since our association has been established—we borrowed twenty thousand dollars at four per cent. in New York. We put up New York City bonds. Most of the associations go to their local bank and pay five and one-half or six per cent. for the money they desire to borrow. It

is not the intention, I think, of the Land Bank, to charge any more than four and one-half per cent. for that money. Those bonds ought to be floated so they could furnish the money to the associations at four and one-half to four and three-quarters per cent., and, therefore, would make money for every man who has to borrow, and we, in turn, could afford to pay a slight commission to pay the expense.

Mr. Seward Hakes (Ilion)—A member association, which deposited twenty-five thousand dollars in mortgages, with the Land Bank, and received in return twenty thousand dollars in money, now the principal of those mortgages will be paid down at the rate of one per cent. per month, or whatever it may be. By what contract is the security to the Land Bank from the member associations fixed? How is it arranged to have that security remain intact at twenty-five thousand dollars?

Mr. Howell—Mr. Chairman, the mortgages held by the Comptroller of the State must always remain value for the bonds that are issued against them, so when the local association collects payments that are applicable to the redemption of that mortgage, so far as the mortgagor is concerned, payments that should in equity reduce the value of that mortgage, those collections must be sent to the Land Bank and put in a redemption fund for the purpose of redeeming the bonds. The mortgages outstanding must in equity always stand as security for the bonds outstanding at the rate of one hundred dollars of mortgages to eighty dollars of bonds. If the mortgages suffer a reduction in equity, the outstanding bonds must be reduced or provision made for their reduction.

Mr. Hakes—In what manner will this one hundred thousand dollars Land Bank capital be invested, and in what manner will this reserve fund that Mr. Howell mentioned be invested, and in what part of the state?

Mr. Howell—Mr. Chairman, the investment of the capital of the Land Bank has absolutely no relation whatever to this issue of bonds. There is no relation except what I have previously explained between the investment of the capital stock of the Land Bank and the business that it does in bonds.

Mr. Durack—I think Mr. Howell did not catch the question. It would be invested in the same securities provided for savings banks.

Mr. Howell—I was about to say that. The question followed one in relation to bonds.

Mr. Hakes—I simply wanted to know how this reserve fund was to be invested, if there was any restriction as to what part of the State, whether that same fifty-mile radius applied to the Land Bank as it does to member associations.

Mr. Howell—No. It does not. A savings bank can invest its funds in mortgages in any part of the State of New York, and the Land Bank has the privilege of investing its capital in savings bank securities. That privilege may be curtailed by the by-laws of the Land Bank, but in the law it has the full privilege of investing in any security that is authorized for a savings bank.

Now, I would like to answer the question, also, of Mr. Parker, by reading the law which governs the expenses of the Land Bank, so you will not receive opinions, but have exactly what the Land Bank may actually do in regard to expenses: "The Land Bank may charge each member an annual commission of not to exceed one-half of one per cent. upon the outstanding debenture bonds issued in its behalf, provided, however, that the rate of commission in any year shall be the same on all outstanding bonds; or in lieu of charging such commission, the expenses incurred on account of any debenture bond issue may be charged to the association on whose behalf such bonds are issued, and the general expenses of the Land Bank assessed against the members in proportion to the bonds issued for them."

The entire expenses of the Land Bank, under the statute, are borne by the associations who do business with it in the issuing of bonds.

Mr. Elmer E. Stanton (Troy)—If payments should be made to the Land Bank to take care of the amounts paid off on mortgages to the association, cannot that be overcome by the association pledging? For instance, if they wanted to borrow fifty thousand dollars, couldn't they pledge one hundred thousand dollars' worth of mortgages and keep the

amount pledged to the Land Bank always above the fifty thousand and not be paying on each mortgage every year until it was paid off?

Mr. Howell—Mr. Chairman, that is a reasonable business requirement, and I have no doubt can be easily adjusted.

Mr. Clay W. Holmes (Elmira)—It does not seem to me that the point stated by Mr. Howell is well taken. If we issue, or take a mortgage on a piece of property, if that mortgage value is one thousand dollars on its face, the payment which the mortgagor gives to the association on its dues has no relation whatever to that mortgage. It is recorded against the property as of the value of one thousand dollars, and it holds against the property as of one thousand dollars until the dues paid by the member equal the same amount. I can make that clear to you in this way: I go to the bank and have a bank account. It don't make any difference whether it is ten dollars or ten thousand dollars. I go to the bank and give my note for one thousand dollars and get one thousand dollars. It don't make any difference whether I deposit it or take it out and spend it. That note for one thousand dollars has no relation to my bank account. Now, I might, on the back of that note, write that you have authority, when this note becomes due, to charge it to my account, provided there is enough money there to pay it. That would not lessen the value of that note, and it would be a commercial transaction for the face of the note when it is matured; and so it is with the mortgage. If there is money enough in my account when it becomes due, they can pay it, or they can come on me for one thousand dollars and collect it.

Now, the face of the mortgage is fifty or sixty per cent. of the value of the property; so the Comptroller of the State, when he has that mortgage for one thousand dollars, has full security against our debenture bonds until the moment we ask for the mortgage. When it comes to that time, we settle with the man and he sends up another mortgage and we get that mortgage back.

This idea of having to pay every month on whatever is paid on the dues is not an important proposition. A mort-

gage does not lessen in value, and I think the gentleman is mistaken in his plans on that part of it, because I do not think there is any institution which expects to remit to the Land Bank every month all it collects on those mortgages in principal and interest. They are responsible for those mortgages, and when the interest on those mortgages becomes due, they have got to remit to the Land Bank the interest, but not the principal.

Mr. Howell—That question is one, Mr. Chairman, that is not open to argument at all. Section 402 of the Banking Law states: "Any loan made by a savings and loan association to a member may be repaid at any time, provided the member shall pay the principal due thereon, less the withdrawal value of the shares transferred as security therefor."

Now, no technicality can wipe out the fact that the equity is being reduced constantly by payments on the shares, and when you send a mortgage to the Comptroller of the State and make that statement, that it is worth two thousand dollars, it cannot remain at two thousand dollars if you are taking in dues continually which are applicable to the repayment of that mortgage at any time that the mortgagor may see fit to call for its being paid.

Mr. Gilbert S. Barnes (Tottenville)—I beg leave to dissent decidedly from that view. While the law gives that privilege to the members, it does not lessen the face of the mortgage until he decides to avail himself of that privilege. As long as the mortgage stands without his taking that privilege, the mortgage stands at its full face.

Mr. Thomas F. Larkin—But, Mr. Barnes, suppose you deposit an original mortgage of five thousand dollars and the member pays in one thousand dollars, has the Land Bank five thousand dollars' security; He has paid it in. Suppose he wants to pay off his loan, don't you give him credit for what he has paid?

Mr. Barnes—Yes.

Mr. Henry M. Clark (Elmira)—Mr. Chairman, I simply want to feel certain that I am beginning to grasp this proposition.

Down our way, the banker handling the money of the com-

munity gets it all into a bunch of notes, and he finds that he hasn't any more money to carry on the business of that community; so he bundles up that package of notes and sends them to New York and gets for them seventy-five per cent. of the face value of those notes, and then he has money for the community. Now, is that Land Bank proposition akin to that?

Mr. Howell—Akin to that, yes.

Mr. Clark—It is to furnish additional capital for those fellows who cannot secure additional capital?

Mr. Howell—Yes.

Mr. Clark—Now, this discussion which has been going on among some of the gentlemen, and not addressed to the Chair, should be so addressed. When a loan is made, it is on real estate or shares. At no time is that mortgage that is taken inviolate. Every time a member makes a payment on his shares, the integrity of that mortgage is reduced by law. In other words, the borrower is protected, and consequently, the questions asked Mr. Howell are very pertinent.

Let us assume this association has made loans of ten thousand dollars, and they take those mortgages to the Land Bank and are allowed whatever they will allow them. There go with those mortgages fifty shares of stock, upon which the members make payments, which, in a year, would amount to six hundred dollars. Now, you cannot figure out that the integrity of that ten-thousand-dollar bunch of mortgages has been maintained. It has been modified by the value of the shares, because those members have a right to walk in at any time and pay the difference between the value of the mortgages and their shares.

Let us assume it is paid in, that and the interest. Now, what becomes of that money? Does that go to the Land Bank?

Mr. Howell—The Land Bank maintains its redemption fund.

Mr. Clark—To maintain the integrity of the face of the mortgage?

Mr. Howell—Yes.

Mr. Clark—So the association receiving the money on the

shares, the interest, would immediately begin to get a return. If we turn it over to the Land Bank, what do we get? Do we get any interest from the Land Bank?

Mr. Howell—That is a mere matter of bookkeeping. You do not suppose you would turn thousands of dollars into the Land Bank and get no credit for it. The Land Bank, as I said before, is not operated for profit, and the associations get all the benefit.

Mr. J. W. Dooley (Buffalo)—What is the real value they get?

Mr. Howell—The benefits they get are, first, that they will get money at a less cost than they do at the present time; or, at least, they will get all the money that they receive through the Land Bank at a less cost for dividend, or interest, than it costs them now; and in the second place, they would receive that money for definite periods, whatever period the bonds run for, whether they be for five years, or ten years, or 15 years; but as the security that is supporting these bonds decreases, one of two things must be done by the association, either they must put up more mortgages, as my friend Stanton says, so they will maintain the security by additional mortgages; or they must turn in the cash. It is up to the association to do whatever they see fit to do, and whatever is most profitable to the association, not to the Land Bank.

Mr. Dooley—Is that the only benefit of the Land Bank?

Mr. Howell—That is the only financial benefit of the Land Bank.

Mr. Dooley—Is it compulsory for a savings and loan association to become a member of the Land Bank?

Mr. Howell—No sir, it is optional with the association.

Mr. Dooley—What benefit does the Land Bank get outside of this particular phase?

Mr. Howell—What benefit does your association do in your community, Mr. Dooley? If you are a savings institution, you are simply receiving money from your members and paying them the rate of dividends and investing that money in mortgages. I would like to know what benefit you do your community other than keeping that money safe and giving them a good rate of interest; and if the Land Bank gives you

that money at a less rate of interest and for more stable terms, I cannot see what more a savings and loan association can expect.

Mr. Dooley—I cannot see how they can do it.

Mr. Howell—That is another matter. I want to say that outside of these two financial benefits, there is a moral benefit. That moral benefit is the same moral benefit that comes from combination in any business, greater strength and greater prestige; they will have the greater strength and the greater prestige of being connected with this institution, because I want to say, gentlemen, that it is my firm belief that this institution will, in a few years, be greater than all the building and loan associations put together.

Mr. H. J. Sharrett (Port Richmond)—This section says: "To receive, by assignment, from its members, and to deposit in trust with the Comptroller of the State of New York." That is what becomes of those mortgages that are assigned by these several associations to the Land Bank?

Mr. Howell—Yes sir.

Mr. Sharrett—Now, the savings and loan associations are powerless to receive that, and how can a borrower pay off a loan?

Mr. Howell—By your association bringing another mortgage of equal value to take its place.

Mr. F. A. Garnjost (Yonkers)—It seems to me that the only way that you are going to get the members of the Land Bank is by getting the savings and loan associations with you. The first thing they will ask everybody is: "What profits are we going to get from the money we invest in these shares?" Up to the present time, I cannot see where there is any profit greater than that made on their own investment.

The second proposition which is mighty hard for a local community—it might not apply to New York or Brooklyn, but it would to Yonkers—when we would put up mortgages for increased money, they would say: "What is the matter with your association? Why can't you get money in town?" We have no trouble in getting money in Yonkers at five per cent., and I dare say if the proper methods were taken, all

the associations in the State would be able to get money at five per cent.

Mr. Durack—Mr. Chairman and gentlemen: Answering Mr. Garnjost, or attempting to answer him, you will pardon me if I get a little away from the mark at first. This is a very, very big question. It is a very great opportunity. This is a great privilege that these savings and loan associations of the State of New York have had conferred upon them by the enactment of this law.

I think it was eleven years ago we met in Watertown, and on my journey up to Watertown, I read a most interesting article written by a financier of Brooklyn, who has attained considerable distinction in the financial world, and the subject treated was "The Credit Foncier of France." I was greatly interested in that article and called the attention of the Convention to it, and called the attention of the Convention to its effectiveness in the handling of money.

Within the last ten years, the chief Executive of this nation had his attention directed to what was claimed to be the unequal distribution of money and the difficulty for people with good security to get money at a reasonable rate of interest. The consideration of that question passed from former President Roosevelt to former President Taft. A Commission was appointed, some of whom were members from the State of New York. They went to Europe for the purpose of investigating and examining the various plans of co-operative financiering, or the providing of a method by which people in remote communities should be able to get money, on good security, at reasonable interest, where hitherto they had been paying a high rate, a condition of things said to exist to a considerable extent in this country.

Now, in matters of finance, I do not pretended to be profound, and a great deal of what I say to you in respect to this is what I have learned by investigation, reading and contact.

That Commission came back from Europe, and the members appointed from the State of New York, said they had investigated The Credit Foncier, of France, and the Land-schafften of Germany, and similar institutions in Germany

and Italy, and said the societies had been accomplishing good in the manner stated, and that is, in loaning money on good security at reasonable interest. The script of The Credit Foncier, of France, passes like the coin of the realm. You can go into a shop and get cash for your certificate. That is the degree of confidence the people have in The Credit Foncier, in their country.

Now, the men from New York came back to New York and said: "The evil is here, but it can be remedied by some such method as that followed in Europe, and, we are pleased to say, that we have now, already formed, existing and in being, in the State of New York, all the machinery necessary, and we feel that we can meet that condition, wherever it may exist in the State of New York, by simply adapting some new phase to the savings and loan associations of this State."

I want to say to you, gentlemen, that I think no higher compliment has ever been paid to the savings and loan associations of this State than the conclusions of those bankers in regard to the savings and loan men. They are not idealists, but hard-headed bankers, who went to Europe to find out about co-operative financiering, and discovered that the savings and loan associations furnish the best and most available means of adapting that valuable measure for the State of New York.

Fortunately, we have, at the present time, a Chief Executive in this State who is, to some extent, a student of its affairs, a sociologist, in a way; and it was owing to his efforts, his special message to the legislature, that the Land Bank Act was passed.

It was also owing to the agitation of the organized agricultural societies of the State of New York stating that they had reason to believe—I know nothing about it—that some conditions existed in this State respecting the farming communities, that needed relief of this character, and they urged that.

The Commissioner of Agriculture subscribed to the Land Bank as a measure designed to promote the interests of this great commonwealth; and lastly, the Acting Superintendent of

Banks, Mr. Skinner, whom we have been acquainted with for many years, and the incoming superintendent—the consensus of all that opinion and judgment was that the Land Bank, as provided now and as enacted, furnished a splendid, simple, safe and easy method of doing what in reality supplanted, almost, the savings bank of the State; in reality, in time, eliminating the title company and the capitalist as a capitalist because it is designed to furnish a means whereby money, otherwise idle or otherwise unsatisfactorily invested, can be invested, even at a low rate of interest, in the very best security that you can offer to any man, even as good as this organized government of ours.

The plan is this, very simply: We should not quarrel about details. The matter of expense is raised. What is the expense when you consider the possibilities of this thing? What is the mere question of routine and detail; Why, gentlemen, we have had offered to us—and when I say “us,” I mean only these men that have been acting in this association—we have had offered to us identity with a trust company of excellent reputation, and splendid resources. We have had a room set apart down there on the main floor of a building on Broadway, New York City, and the handling of our debenture bonds free, for associations in the Land Bank of the State of New York.

There is one element of expense that is entirely eliminated merely by our existence. Every man sitting here now will recall the struggle that was carried on, surreptitiously, not openly, against the passage of this Act, which provides that the Land Bank of the State of New York should be organized by you men and by nobody else. Why, the title alone is worth—I would not dare to appraise the ethical and moral effect of that title, “The Land Bank of the State of New York.”

Now, the operation of it is very simple. It does not make any difference what the capital of the Land Bank is. The Land Bank is a mere agency. That is all it is. It must have \$100,000 subscribed before it can do business. The associations subscribing must own at least \$5,000,000 of resources

themselves. They subscribe \$1,000 for each share and take as many shares as they wish.

The Land Bank is required by law to invest the money that comes into their possession as capital in the same securities as provided for savings bank funds; and if you know of any better or safer, I do not.

Now, an association being a stockholder and desiring to borrow money, can borrow through the Land Bank. The Land Bank has no money. It has no funds except its capital, invested in interest-bearing securities. You go to the Land Bank and say: "We want \$20,000." Now, an issue must be at least \$50,000. A debenture bond is printed. You get \$20,000 worth of those bonds, of varying denominations, sent to your association, and you sign them and bring down \$25,000 worth of securities and deposit them, but—and this is something Mr. Howell overlooked, and is very significant—the Land Bank does not hold your security five minutes, and your debenture bond, signed by your association. The Comptroller of the State of New York takes your bonds and mortgages and signs as Comptroller of the State of New York that debenture bond, which is then put on the market. I am told by men who claim to know conditions that a bond of that character could be readily sold at four per cent.—and the people who have given me that information should know—when people come to realize how absolutely secure that debenture bond is.

In the first place, you produce \$25,000 worth of your securities. Now, you must give a statement showing exactly how much money is due on each one of these mortgages. We know, to begin with, that operating under the law, you do not loan over eighty per cent. on a given mortgage. The State Comptroller wants so much security. The Banking Department has a list of those mortgages, and it knows, and it says: "Yes."

Now, you are putting up only eighty per cent.; consequently, your debenture bond is secured on a sixty-per cent.-basis at least. It is further security for that debenture bond they are putting on the market and selling to the general public, made for five, or ten, or fifteen, or twenty, or twenty-

five years, as the case may be. Then you have the capital of the Land Bank all the time invested in good securities, and furthermore, all the assets and all the resources of every association that signs a debenture bond becomes liable for the payment of that bond. Do you know any better security than that? Do you know a single railroad bond in the whole United States that has a security like that, as invariable, as fixed, as determinate, as final in the form of security, as that bond has? I do not. I do not know of any bond that is so secured. And that security, with that firmness, that solidity, which you pass into the market, we will sell to the ordinary investor, and it is going to make a low rate of interest prevail for associations.

Now, the advantage to you will be two-fold, if you want it. It promises to afford to you an unlimited supply of money at a rate lower than you can get money for under ordinary circumstances. It is going to raise the standard of the associations, every association, whether identified with it or not; but particularly those whose papers, whose reports, whose front window signs, will read: "Member of the Land Bank of the State of New York." It is going to raise every association to a position of dignity, importance and standing that it has never before occupied, never in all its career.

Why, you know the financiers look upon us as kind of soft, a kind of people that believe in ourselves, because no one else believes in us. That is what the financier has considered us all these years. We are now getting into a position where, if this proposition meets anything like what it is designed to meet, and is capable of meeting, it is capable of diverting to itself the employment of all the passive money of the State of New York. That is for you men here. Nobody can own a share of stock in it except the associations. Nobody else. Nobody has anything to do with it except the associations. If it rises and flourishes and meets the situation, with these splendid facilities which this Act affords, it will be making the associations a financial factor such as its greatest advocates and warmest lovers never dreamed for.

Now, as for details, such as how are we going to invest our thousands? Great goodness alive! They are going to be

invested in the same investments as savings banks' money is invested in.

How are you going to conduct this thing? The Act provides for that.

Now, the savings and loan associations are the only shareholders. They are the only stockholders. By law, each association selects a representative who will vote for it and meet in the annual meeting of the stockholders held in January of each year. The directors will be selected in the usual manner in which directors are selected by the stockholders, and the stockholder is the representative from every association, meeting once a year for that purpose.

You select the representatives at this stockholders' meeting. They select the directors, and it all comes out of yourself, out of nobody but you. Nobody else can come into it but yourselves. Mr. Howell has explained to you very clearly that the expense of this thing can be regulated by you men who own it. Nobody owns it but you, and you can make it or mar it. You can take it or leave it. But there are institutions and there is capital in the State of New York to-day that would give valuable, valuable money for the privileges that are given to you because you are what you are.

Now, if there are any particular questions concerning this thing, that anybody here would like to ask me, and I have not touched on and Mr. Howell has not touched on, if I am able to answer, I will; but do not be troubled by details. All the details will be arranged by your representative. Mr. Howell don't know what they will be and I don't; but the method of finally agreeing on those things and conducting this business is in the hands of the men who will own the stock. The Land Bank, let me say once again, is not a bank of deposit and not a bank of discount. The Land Bank takes your bonds and mortgages, the same as I take this here and hand it over there (indicating). That is all that the Land Bank does. The Comptroller of the State of New York has those securities, and it almost would appear—do not misquote me—it almost would appear that when that debenture bond goes out to the public that the State of New York was behind it. That is not the fact but just as good securities and just as

good resources for the obligation are behind that bond; but it is to give it a quasi value to the community, to invest that piece of paper with all the sacredness that goes with a national movement, that that was provided; and I do not believe for a moment but that the debentures subscribed by the State of New York will be sold at as low a rate as any security I know of, except the bonds of the United States.

Mr. Gilbert S. Barnes (Tottenville)—Mr. Chairman, I desire, before I sit down, to ask a question, touching upon a point which has not been touched upon, but before doing so, I would like to beg the indulgence of the delegates one moment, and refer to what has been called a detail, but which I think the minds of our association will consider a detail of so much importance and invested with so much irksomeness in following the provisions of the statute as to be an obstacle in following this plan, and I refer to the apparent disposition to construe the value of the mortgage as constantly diminishing by the payment of the installments. It seems to me that the association which collects on the mortgage until it is actually satisfied, that it would be hard to defend the justice of this. You are collecting interest. It is not applied on the principal. The bank examiners, when they report the assets, they do not take cognizance of any such thing. They report the face value and it is so carried by the banks, and while it is true they may be diminished, until it is applied, they are not diminished. In my mind, it is the same as a call loan at the bank.

Mr. Durack—What is the question?

Mr. Barnes—I will come to that. Now, the question is: What particular advantage does this Land Bank offer to an association in a community where there are many investors but very few borrowers, like Manhattan and Brooklyn, where the demand for loans is small, and where there is a large surplus accumulating drawing interest at two per cent., and which they want to invest; Does this Land Bank offer any opportunity except to take this stock, the dividends on which are uncertain?

Mr. Durack—No, sir. If you have more money than meets your demands, then there is no benefit flowing to you from

the Land Bank. There is only the benefit of supporting an institution which is recognized by law as consecrated—if I may use that word—savings and loan association. But if you have all the resources you desire and cannot use any more money, there is no advantage flowing to you.

Mr. David B. Hutton (South Brooklyn)—Their limit of earning power would be three per cent. and they could buy the bonds and get four. Can you beat it? No, you bet you can't.

Mr. Durack—Anybody can buy the bonds.

Mr. Hutton—And if you need the money, you can sell them again.

Mr. John C. Pratt (Batavia)—If I was a member of this Land Bank and wanted money in an emergency, how soon could I get it after my mortgages were presented? I have a reason for asking that, which I will explain.

Mr. Howell—Mr. Chairman, while that question is, of course, entitled to a fair answer, it has to be answered in two ways. If the Land Bank is organized and you are the first member association to come and ask for an issue of bonds, it would be necessary that your bonds first should be sold upon the market and the proceeds brought to you, the Land Bank acting as your agent in the matter, as explained by Judge Durack; but when the Land Bank has been fully established and has been in business several years, as it will be, and has a large redemption fund on hand, which it also must invest at the proper rate of interest, in mortgages or any other securities, holding that redemption fund for the time it can purchase back outstanding bonds; then the Land Bank will have money to cash your bonds at once and afterwards sell them on the market.

Mr. Pratt—That is just the point I wanted to bring out. We had an extreme case in our association three years ago. Three years ago we had a bank fail in our town for quite a large amount, not a national, a State bank. Soon after that, everybody got fearful of banks. We had a run started on our association. We had three banks in that town. Did they offer us any assistance or any money? Not a word said. I did not know where to turn. We have now about half a mil-

lion assets. We had then about \$400,000. I was Treasurer of that association. I knew we had gilt-edge securities, but where were we going to get money? I said we would pay them one hundred cents on the dollar. We had an attorney that had \$40,000 in cash in the Marine Bank of Buffalo, and he gave us that and said: "Give us your security when you get ready." Our best friends deserted us. We went to other banks. They said: "We will give you cash to pay your depositors when you get through." If we had had to ask them to start with, we would have been in the hole and our association would have gone down.

Now, that is the point with this Land Bank. When it has been in business two or three years, and if we have \$100,000 in securities and want to get \$75,000 in cash, we want somebody with whom we can do business.

Mr. Howell—You are talking now about what the Land Bank could do for you in an emergency?

Mr. Pratt—Yes, sir.

Mr. Howell—That is another matter. That will depend upon the power of the Land Bank itself in the financial world, and I venture to say, based upon the statement of Judge Durack and upon my own knowledge and that of other gentlemen who have been connected with the inception of this institution, that from the very beginning the Land Bank will have such credit among the financial institutions of New York City, so far exceeding anything that any single association has, that it would have no difficulty, whatever, from the very beginning, in helping an association out of an emergency of that kind. (Applause.)

Hon. George I. Skinner—I think that depends also upon the question as to whether you are going to make the Land Bank of the State of New York a mere agency or an institution. If you are going to make it an institution, it can do things; if it is a mere agency, it is limited to the power of its principals to a very large extent.

I discovered yesterday morning that I was scheduled here for an address, and I hope to talk to you later. I have asked the Secretary for the address which I was to deliver, and he refuses to give it to me, or even the subject; and I have not

one with which I can take up the time of the meeting at this time. I do not wish to take up your time by discussing some slight differences of opinion between myself and the various speakers, but I do think this is a good time to criticize one difference of opinion, whether you are creating an institution—and this is for you all to think over—whether you want to make it just an agency or an institution.

If you are going to ask men to come into this co-operative institution as you ask investors to come into your association, you have got to produce some profit for the investor as well as for the borrower; and simply wishing to criticize that point and to let you know that at a later time I wish to present it, I thought I would rise to my feet. It did seem an opportune time to bring that up for your consideration, when this institution is yet to be created. It is a good thing, that, in the law, it is not so closely restricted but what you can make it what you ought to be, whatever your conclusion is in that respect. (Applause.)

Mr. Durack—Mr. Chairman, I would move you, sir, that this portion of the report of the Commission to Revise the Banking Law, covering the matter we have under consideration, be made a part of the minutes. From the report of the Commission that revised the banking law, of which Mr. A. Barton Hepburn was chairman:

“The savings and loan association system of this State has through many trials and under adverse conditions been developed to such an extent that it has been believed by the same students of European systems that it embodies a better co-operative system of land credits than any of the European systems to which attention has been called. Its great defect in so far as obtaining money at a low rate of interest is concerned has been the lack of a central institution. This defect has now been provided for by authorizing the establishment of a Land Bank of the State of New York, which may be organized by savings and loan associations having not less than five million dollars of resources. The savings and loan associations of the State have been making very rapid progress in recent years and now have aggregate resources of approximately \$65,000,000, and, if the system can be extended

to agricultural sections of the State, it is believed that, through co-operation, sections where farms are now being abandoned may be again more fully populated and the whole State profit from the development of those sections and the consequent decrease in the cost of living."

The motion was carried.

Mr. Newell—I move that the thanks of this audience be given to the Hon. Edwin F. Howell and Judge Walter L. Durack, for their clear explanation of the Land Bank system.

The motion was carried.

Mr. M. V. Dorney (Nassau)—I have listened to the discussion this afternoon, and while I do not want to express myself as being in favor of the Land Bank, because I will admit very frankly that I do not know enough about the matter, and I particularly do not want to be held as expressing the opinion of the Nassau Association of Kings County, which I represent; but I think it is fair to assume two things, one is that the Land Bank proposition is a feasible, practical and a desirable plan, and I think it is still more fair to assume that the men who will be the direct officers of that organization, if organized, will be capable, as I know they will be. But it seems to me there is one matter, or one factor necessary for the success of this plan, that ought to be considered **now**.

You gentlemen have heard a very interesting discussion this afternoon, and I want to call your attention to this particular fact: that although the men sitting in this convention are—and I say it without any attempt to throw compliments—they are the men who have managed the building and loan movement in this State for many years, the Presidents and Secretaries of these associations, and these men must know more about the movement than the average man, and yet they have asked question after question of Mr. Howell.

The Land Bank question is an entirely new one in this country, although similar movements have been successful in Europe; but if the men who instituted it, who have been, in many cases, working for it for a quarter of a century or more, if you men have to ask all these questions of Mr. Howell and Mr. Durack, what about the men who do not give it the

study which you have? These men know absolutely nothing about it.

Now, in order to make this movement, this Land Bank, a success, you must convince these men who control you, and are in the majority, that the Land Bank is a good proposition for the building and loan movement; and you will not be able to do it unless they know what you know. You have heard the discussion this afternoon. They have not, and if you are going to wait until, in the ordinary course of events, the proceedings of this Convention are printed and sent around to the various associations, you will wait a long time for the information contained in the debate this afternoon to be of any practical use.

I, therefore, suggest to you, sir, the advisability that if we cannot get the full report of these proceedings printed very, very promptly, that we ought at least to have a printed report of the proceedings of this afternoon, commencing with the explanation of Mr. Howell and all the questions and answers and explanations that have been made, that they should be sent to the boards of directors of the various associations in this State, at the earliest possible moment. It will be an extra expense, but it may mean the difference between the success and non-success of the Land Bank of the State of New York. (Applause.)

Mr. A. Hertz (New York)—I move you that this suggestion just made be changed into a motion, that sufficient copies of this report should be printed and several copies distributed to each association, each savings and loan association, in the State of New York.

The motion was carried.

Mr. George J. Beyer (Brooklyn)—Mr. Chairman, before I came to the Convention, I had some misgivings about this Land Bank, and, of course, while the members here and the representatives of the various associations are not all pledged to be able to get every association sufficiently interested to become members, I would like to have a test vote taken as to how the members that are represented here, how they stand on the matter. I would like to hear that they are as en-

thusiastic as they ought to be. I would like to ask those in favor of it to rise.

A Voice: Would it be fair for the delegates to vote?

President Scott—I do not think it would be fair to the delegates here, because they do not know what their constituents at home will do.

A Voice—I think the question is a very proper one. I cannot pledge my association, and I do not think any man who represents an association can pledge his association. I think we ought to feel enthusiastic enough, however, to show our hands in the matter. I am frank to say that I am. I do not see that there is any harm in that.

Mr. A. J. Reibling—I feel that the proposition that has just been offered to the Convention ought to be delayed until after we hear from Mr. Skinner. I feel that he will explain that matter and will make it so clear to all the members here, that after his address, we will ask the members here to rise and state their opinion, and they will all be in favor of it, while now there would be a good many doubts.

I urge the Chairman not to press the members until after Mr. Skinner's address.

Mr. Thomas F. Larkin (Model)—I suppose there are some here who might be opposed to the Land Bank. I have a great deal of respect for the judgment of Mr. Holmes and Mr. Barnes, but they made an error in regard to depositing securities. For instance, Mr. Barnes stated that the Banking Department did not take any cognizance of anything paid off on a mortgage; but I would like to ask him does it not consider the dues paid in as a liability? Of course, that is an offset against the mortgage.

Now, another phase of this that has not been touched upon is this: That in borrowing money from the Land Bank and depositing your securities—well, I will give you a practical illustration: Suppose an association was a borrower of ten thousand dollars from the Land Bank, and deposited ten thousand dollars in securities. They take your mortgages for ten to thirty years, to make the payment smaller to the borrower and make his burden less. Let us take, for simplicity's sake, that your bonds are issued on a twenty-year

basis, that you would have a twenty-year mortgage, and the money you got from the Land Bank, you would immediately put into those new securities and get back your old ones, you would not be touching a cent of your capital up to that point; but you would be doing new business on new capital, pure and simple new capital; and the mortgages deposited with the Comptroller or the Land Bank, would be the money you got from the Land Bank and loaned out.

I only want to point out that point to show that after your first deposit is made, it is that way.

Now, if it has been deposited with the Comptroller and the Association notified that the person wanted to pay off his mortgage, that is simplicity itself. It simply involves the transposition of another mortgage and sending it to the Comptroller and getting that back by return mail.

I only hope that the members here will not be prejudiced against this thing because it happens to be new, and because they have not given as much thought to it, possibly, as Mr. Judge, and Mr. Howell, and Mr. Durack and others who have followed this thing up with the Commission and with the Banking Department and with the people in Albany. The matter of detail must be left entirely to be managed by the Board of Directors. And let me tell you this, in answer to Mr. Eckhoff: that if you start an association and you go to presuming right away that you are not going to pay dividends the first year, and you are not going to get any capital unless you pay dividends, you are never going to help a savings and loan association; and if, at the end of the first year, you determine to close up your business, the result would be that, if your expenses were ten per cent., everybody would be taxed ten per cent. That is a matter of detail.

Now, the earning capacity of the Bank would only be the capital invested, of, say, one-half of one per cent. on the total bond issue. Now, that may seem small, but your first fifty thousand dollars would be a test case whether those bonds were marketable or not. Why, down in the Metropolitan district, and I think Mr. Hutton and some others will bear me out, that the associations down there themselves have idle money, at times, and would take that whole fifty thousand

dollars, and you need not go outside of the market for it. We have faith in our own institutions, so why let us quibble with those details?

The great trouble with savings and loan associations is this, in my opinion: They have been so penurious; they were organized so economically; they are afraid to go back to the board of directors to talk about the losing of a dollar. They said: "How is our money protected and how much interest are we going to get on our one thousand dollars?"

Now, don't think of your profits right away. There are no profits until you earn profits. So, of necessity, it must be with the Land Bank, that for the first year it must be taken on faith, and get on a sound financial basis, as intended in the law.

Mr. B. G. Parker (Gouverneur)—There is just one thing that occurred to my mind when the suggestion was made that we take an expression, and some gentlemen said: "I don't want to bind my association."

I was asked by my association to come over here and to represent them at this meeting; to look over this matter regarding the Land Bank. Now, I feel, that with due respect to the board of directors and due respect to everyone interested, I feel justified in saying that our association will take stock and be a member of that Land Bank, and when I go home and say that, the board of directors have not had the opportunity of listening to what you gentlemen have listened to to-day; and when you go home, your opinion is worth more than that of all the rest put together. That is what you are here for. If it sounds good to you and has the right ring, you, who have been entrusted with the responsibility of representing your association, should say: "We want to join and are going to join," and that is all there is of it. That is what we are sent here for. If I go back and say: "I want to go in," that ends it; and if I say: "I do not think it is a good thing," they will not go in.

Mr. Clay W. Holmes (Elmira)—The point I want to make is this: The questions we have discussed should be dropped entirely, and we should think of but one thing. Is the Land Bank going to raise the standard of the building and loan

associations here in the State of New York? If it is—and we have good authority from other countries to believe it is—we should drop any idea of whether it is going to be a good thing for me or for some other man, and take up the idea as to whether it is going to be good for the building and loan movement. If it should be so, we should all take stock and try to make it good. If it is not good, then we had better drop it. I confess that so far as my own original opinion was concerned, I could not see anything in it. I was trying very hard to look through it. I think they made two mistakes in making the law. In the first place, one was they did not make a provision for taking care of the farmers, and the other was they did not make it obligatory for every association to come into the movement.

We have got the Federal Reserve Bank. We were not told we had to go into it, but if we did not—well, we did not discuss whether it was a profit or a loss, we simply did it. The result was that the Federal Reserve movement was a good one. Now, if we had been told the same thing about this, it would have been a success. We have the law on the books. I would feel ashamed that we had a law on the books, and that it would be a discredit to the building and loan associations, and it will be a discredit to the building and loan associations, if we fail to take it on for a little while.

This morning I happened to walk in where the committee was meeting. I was not a member of the committee. I was against it. I heard some things said, and one was that the men who conducted this movement as directors and officers should do it the same as we are doing our work in the associations until such time as their money will enable them to give them a reasonable stipend. That puts a different phase on the matter. I would be glad to do that if anything of that kind should come my way.

Now, if we can get down to that basis. It cannot be a success unless we all go into it with the same spirit and forget the details, which will work themselves out when the board of directors is created, and if they make a rule and it does not work, they will make another one.

On that phase, my director said to me: "What do you think

of it?" I said: "I don't know until we go to the meeting. In the meantime, let us get the by-laws and look at them."

We got the by-laws and read them, and I confess right now that I shall be one to tell my board of directors, when I get home, that I think we should try one share and go into the movement and give it our moral support, and that we think it will be a success even if we do not make a profit the first year.

In view of the fact that these gentlemen have given so much time to it and other countries have made a success of it, why should we not make a success of it in this country?

Mr. David B. Hutton (Brooklyn)—I have endeavored to speak to you several times, but most of the speeches were made by other gentlemen, particularly by Mr. Dorney and Mr. Parker; but I want to say a word on what Mr. Dorney has told you this afternoon, and in doing so, I am taking a retrospect of a quarter of a century. Mr. Dorney has told you it was a difficult matter to explain those matters to the directors. It is. However, it gets easier year by year, as directors find out that they have greater confidence in you than you yourself thought you deserved.

When they send the delegates to this League, do they not select the men whose minds and whose judgment can be depended on to bring back to them a correct report of what has taken place in the convention, and they cannot reasonably expect that they will give many details of the proposition which is not even understood by the men who are supposed to know it.

I was extremely busy when I was called in on this proposition, and it did not appeal to me at all until Mr. Howell explained it to me. You have got to start off on the principle that whatever Mr. Howell says, he absolutely believes, and he would not endorse anything unless he thought it was all right. I think some of those questions that Mr. Howell put were some of them I asked, because they sounded the same. You must go into a subject that way, if you ever expect to know anything about it.

There is one other thing I want to say to you, and that is whether we are Scandinavians, Polish, German, Scotch,

Hindoo or Hottentots, our residence here makes us all what we ought to be, true Americans. (Applause.) We had the pleasure of listening to an address by Governor Glynn. Judge Durack has explained to you that Governor Glynn is somewhat of a sociologist, and he gave us a historical review of The Credit Foncier, of France, and the Landschafften of Germany; and he told us about this Land Bank scheme being evolved, in the eighteenth century, before the war, near Philadelphia; and during the revolution, it was lost, but a little musty document got from Philadelphia to Germany, and financiers took it up there, and on the strength of that scheme they built up The Credit Foncier and the Landschafften, so it is not a foreign institution you are going into. (Applause.) We are doing something to revise and develop what was planned before the revolution.

I trust you will all be enthusiastic about it and that you will go back to your associations and stir them up with your enthusiasm.

Hon. George I. Skinner, First Deputy Superintendent of Banks—Mr. Chairman, Ladies and Gentlemen: Speaking here in the City of Buffalo, I feel it a duty, for various reasons, to speak to you as briefly as I may with reference to the revision of the Banking Law of the State, as a whole. One reason is because it is the home of Mr. McDougal, the President of the Bank of Buffalo, who is one of the efficient working members of the Commission, and whom I believe to be one of the most careful and conservative bankers in the State of New York. Another reason for my wishing to speak to you of the revision as a whole is because I am rather proud of it, and because, to some extent at least, it is the result of my personal efforts along certain lines.

Do not think I have so much egotism in the matter as to be vain over what I did do, but I always feel inclined to report to you what I have done since I last saw you; and, to a certain extent, anything that I have done, you have done, for the reason that if I have helped you to create a law for your associations; if I have helped you to eliminate the evils that used to exist, in another sense, you have aided me, and what

I did, you have done. Since my first connection with the Department, my association with you and our various efforts have been an education and in the line of development.

Third: You are becoming more and more an influential part in a great system, and I do not believe you appreciate the greatness of the system nor the part, that, if all things go well, you are destined to bear in it.

It is hardly the place here to speak of the Land Bank, and its possibilities, nor what might have been if you had, twenty-five years ago, the law that stands upon the statute books of the State of New York today. People sometimes say that the law does not matter, that you cannot make people honest by legislation. That is true in a way, yet if we had had, upon the statute books of this State, twenty-five years ago, the law that you and I have finally builded, instead of being proud of sixty-five millions of resources, you would today have resources by the hundreds of millions, in my judgment; and I am not enthusiastic to such an extent that I usually overstate.

I think few of you realize that, in New York State, there are institutions under the supervision of the Superintendent of Banks, having resources that dwarf the national banks of the State. You are a part of that system. I think the more you study it, as days go on, the more you will be proud of it and recognize its strength. In it your interests have always been looked after; your deposits in the State institutions are preferred; so that no matter what happens, you will lose nothing through a State institution.

Then, there is still another reason: We fought together so long for righteousness, for what we believed to be the right, that I have become accustomed, in any legislative fight, whether it interested you particularly or not, to call upon your Legislative Committee and ask them to help us out; and I want to say that I have never asked in vain, and that in the enactment of this revision your representatives bore a worthy and a prominent part.

To speak briefly upon revision itself: It has done for most of the other institutions of the State what you have done for your own. It has clarified the statute. We have elimi-

nated the obsolete provisions. We have made each article, with a few exception, as nearly a perfect article as your own.

There is another thing that will interest the lawyers, and that is it is a new departure in statutory revision, and the departure was made with the consent and under the advice of Professor Collins, who has been connected with every statutory revision commission in this State within my recollection.

In previous statutes relating to a number of classes of institutions, you have had a separate article containing the special provision relating to those institutions. You have had to begin with, however, a general article, in which were placed all the provisions of the statute which related to two or more corporations.

We adopted, in drafting the new law, a new principle, in which each article is complete in itself; so that reading the article upon banks, a banker can ascertain everything that he is required to do with reference to his institution from the organization up to the transaction of business, limitations upon loans, qualifications of directors and everything of that kind.

In making this arrangement of the law—this re-arrangement—the general provisions of the previous statute have been carried forward and embodied in each article to which they were applicable, and the result is this: that many of you have supposed that there were great changes in the savings and loan article, and officers of banks and trust companies have been almost staggered when they have read in the law, for the first time, the provisions that have existed there for many years.

Except for this re-arrangement, this clarifying of the statute and the addition of certain desirable powers for banks and trust companies, the establishment of a guarantee fund for the savings banks of the State, there have been no great changes in connection with the ordinary institutions.

Outside of this revision, perhaps the most essential thing that was inserted in the statute was a provision making the law applicable not only to the corporations and individuals

that voluntarily came under supervision, but to those who violated its provisions.

Heretofore the fake investments company organized under the Business Corporations Laws, were not in any way subject to the laws; but now the Superintendent of Banks has been given power to go out and investigate fraudulent transactions by private bankers and by fake investment companies, and prosecute and take evidence. He is made a protector and given the power that heretofore he was merely assumed to have.

Not only is the Banking Department a means of supervising and controlling, to a certain extent, financial institutions; it is being made, not by our friends, but by the demands of the public, and, I imagine, by some of the work we have done, more and more a protecting institution.

The Credit Union article, first inserted in the law last winter, is not only designed to enable farmers to obtain loans on attractive properties, but on personal credit, where character is to be taken into consideration. It is also designed to assist just such philanthropic efforts in a different way, as that undertaken by the Edison Company in organizing and maintaining the Edison Loan Association. It is designed to help the laborer in cities, the indigent borrower, and eliminate the loan sharks. Another article relating to personal loan brokers was designed especially for that purpose.

The first statute with reference to that particular matter was prepared by Ansley Wilcox of Buffalo, in the year 1895; and as your law has grown since then, so has this statute; and the Russell Sage Foundation is devoting a portion of its funds to remedial work along those lines, to save the poor from the exactions of the usurer. We are not as fully recognized in some respects, in some matters of financial operations; but I am glad to speak of them to you in a spirit of altruism, feeling that I am willing, outside of the things I am called upon to do as a matter of official duty, to make some sacrifices to help out those things which I have derived quite largely from men who have at one time or another been connected with this association.

Coming down to the article relative to savings and loan associations, and not troubling you further with this general talk, I can say that there have not been many essential changes in the article relating to savings and loan associations from what it was before, as originally prepared by you and myself and enacted in 1910, with the exception of the creation of the Land Bank of the State of New York.

I was very much pleased yesterday to find not only the general interest in this subject in this convention, but the tendency to question, to examine, to weigh well all of the slight details. If we have done what we think we have done in reference to the Savings and Loan Law, we have done it in just that way. I was glad to see you counting the expense, and the cost and the profit, because it is in our hands and nobody else's to make the Land Bank of the State of New York a success or a failure. It is not a question as to whether the experiment is to be tried. It is to be tried. There is no question about that. The only question is as to whether it is to be a success, and if it is to be a success, if there is anything in this co-operative system of finance, it has got to be conducted economically. Every movement in its development has got to be carefully and cautiously taken.

You have been the custodians of the people's money in a sense in which no other institution in this State has been its custodian, in the sense that you have attended to the savings of the people and employed it for their benefit.

I am proud of the savings bank system of this State. It is almost as perfect now as legislation can make it, but the moneys collected by the savings bank are invested in large undertakings. The investors of New York State are financing the railroads of the country through its savings banks, and anything that injures the railroads of the country injures the widows and the orphans of New York State.

The money is being used in the erection of great buildings in the metropolis and other cities. It is doing its share of the work of the world, but it is not going back to the people from whence it came. It is different from the work that you are doing. The farmers of the State have felt that their interests

were being neglected. The national banks, which are more common in the country than the State banks, cannot even make loans on real estate at all, much less upon farm land; and for years the farmers, feeling what they believed to be an injustice, have been studying co-operative systems. Our ambassadors abroad have been telling our people about the great co-operative systems of Germany and Italy and all the European countries, and they came home, and upon their attention being called to the savings and loan system of New York State, they said: "That is better than anything we have discovered abroad." Really rather wonderful, is it not, in a way?

And this is true. While, owing to circumstances, national scandals and worse, the savings and loan associations of New York State can never point to the resources of those institutions, they are heavy in ideas. In so far as the development of the movement is concerned, they have furnished brains.

Now, I am making myself one of you. I think I have the right to. It may seem that just when we are getting everything moving nicely, we have an admirable law, people are just beginning to believe in us; but you undertake some new thing, that we do not absolutely need for the development of our local institution, but may reflect on us if we do not make it a success, and it is asking altogether too much, and I would be disappointed if my hard-headed friends, men who have carried the burden of the battle in preserving for the people the peoples' institutions against the attacks that were made upon them, if they did not weigh it well.

I do not want you to accept it through any enthusiasm of our friends, who are especially altruistic. I do not want you to accept it because I have gotten so that I believe and think the possibilities are sufficient so that we really ought to take the risk that goes with it. Think it out for yourself.

In so far as the matter goes at present, you will obtain more of an advertisement from the enactment of the statute than you ever have had before in any way. Attention has been called to the fact that the savings and loan association of today is a distinct type of institution, and that the old national building

and loan association could not even get started. From Oregon, from Kansas, from almost every State in the Union, they are writing today with reference to the Land Bank and our Savings and Loan Association Law. That is one thing you have had already. You have had the advertisement.

Now, with the attitude of the farmers, with the advertisement of the co-operative principle coming from the study of the co-operative systems of Europe, you were bound to have the efforts made in this State, whether you would or not.

Should there be two separate co-operative systems of finance in New York State? That is a question that came to me here, and I think I ought to recite a brief history of how this has all come about.

You know our friends down in the metropolitan district. A year ago this last fall, they sent for me. I guess they wrote the Superintendent of Banks, but I think they knew who would respond. They asked that I go down there and consider with them some new ideas that had been aroused by the study of the co-operative systems of Europe.

I went down and talked them over, and between us we sifted out what we thought would be a proper basis for a standard institution, and that it would not be best to have an agricultural system of co-operative finance in the State of New York, running along paralleling ours; not strengthening it, detracting from it.

They started with those ideas as a basis, that we had discussed at that time. Within two months from that time, Mr. Dillon, the publisher of the Rural New Yorker, prominent in the State Agricultural Society, came to the department and was referred to me; and he wanted to know whether the Banking Department was not in rather close contact with the money devils. He did not express it just that way, but that it would help the farmers to create a system by which they could get the benefit, by which they could get the development of the farms of this State, for the benefit of every man in the State who eats, and most of us do.

I told Mr. Dillon that I had some friends in New York City who had been giving this matter consideration. They

went abroad and studied the systems of Germany and France and Italy. I believe we have a pretty good system here. It is established. I am proud of it. I wish you would go down and talk things over with them and see if you cannot work together. There is more prospect of ultimate success. There is more of a prospect of getting through the Legislature desirable legislation if you work together.

He accepted the situation in good faith. I think he and the men of the Agricultural Society, whom he represented, on investigation were astonished to find we had so good a system. From that time on, the representatives of the farmers and your representatives have worked together. They have helped you pass this legislation. They have not endeavored to set up a separate system. They have not endeavored to establish a Land Bank that should help the farmers only. This Land Bank idea, if carried through, helps not only the farmer, but the artisan and laborer, everybody in the State, if it is a success, because your local associations, whether formed by farmers, by laborers or by clerks, by merchant clerks or bank clerks, will put their money into this great big system, and it will be coming back to them for their purposes. It would not be building railroads, which are fine things. It would not be erecting big apartment houses; but I am calling your attention to the assistance in passing this law, which many of you desired, that you have had from the agricultural interests, and to the fact that the Land Bank of the State of New York presents not only the opportunity, but a duty, in a sense. If we are to have its advantages, we have got to be helpful to the others and recognize the fact that it was a matter of joint efforts.

I am sorry to talk so long when you are hurried, but as I promised yesterday, I feel that I should dwell for just a moment at least upon the conception of the Land Bank of the State of New York, which we should have.

To my mind, it is to be a great central institution. I haven't any idea that all the extravagant hopes that have been builded upon it will eventuate in the near future. It has got to be a matter of slow growth. I think it should be a profit-making institution to the extent that it should make a fair return to

those who are investors. That is, it should not be a mere instrument for borrowing money for those comparatively few associations that cannot get what they need on fair terms.

I think it should be able to make loans to member associations, temporary loans. I do not think the power is given to it today, under the present statutes, and in speaking of this Land Bank, I am not going to be confined as to what it is as a part of the statute on the books today, but as to what it should be, because it is so new a thing, and the safeguards that have been thrown around it are so few in some senses and so great in others, and the idea is, as yet, so little developed, that we can make it what it should be, and it can be very largely done by the by-laws, and if any slight amendment to the law is necessary, it can very easily be obtained now.

I stated yesterday that I differed in some respects with the speakers of yesterday. I think that I should qualify that statement, perhaps. I do not know that my ideas differ from them, but I should have expressed them differently. I think, perhaps, they gave, once in a while, an impression which they did not intend to convey. So far as knowledge of the phraseology of the statute is concerned, I have no doubt they are more apt to be correct than I am, because they have studied that especially, while my study has gone to other things; but if it be correct that the expenses of the Land Bank should be entirely paid by those associations that borrow, it does not matter whether it be done by commission—that is one of the ways of collecting the expenses—or by an assessment.

If all the expenses are paid by the members who obtain bonds, then surely all the profits will necessarily go to the investing member; and you start an institution with one, two, three or four hundred thousand dollars of capital, which can be invested at five or five and one-half per cent., and possibly six per cent., and you have immediately got an income.

I do not believe that the Land Bank can loan its funds upon the security of real estate all over the State. If it can, I do not believe that it should. While it is true that it is authorized to invest in savings bank securities, so far as mortgage

loans are concerned, I think it would be prevented from loaning all over the State by the provision that they should not accept or take a mortgage loan upon the security of real estate outside of the loaning zone of a member association ; but, as I say, if it has that power, it should not ; and I have men writing to me who have been asking how they can obtain loans, and have told them that if there was no association already organized in their vicinity, in order to obtain any advantage under the acts, it would be necessary for them to organize a local association, that would become a member of the bank, because otherwise, unless there was a savings and loan association within fifty miles, they would be entirely bereft of its privileges.

But you not only have the five or five and one-half per cent., or six per cent—I know the Savings Bank of Utica is loaning at five and one-half—and in some cases have been charging them a premium, it would be half paid down, and they would be content to stay with you. You would be glad to turn them over to the Land Bank rather than have them go to some other institution. But call it five per cent. Suppose it be an institution of two hundred thousand dollars capital. You have got a five per cent. return on your two hundred thousand dollars. Then, when you have those mortgages, you have a little over three times sixty thousand dollars, and sixty thousand dollars of bonds and mortgages can be made the basis of the issue of bonds to the amount of fifty thousand dollars. You can sell your bonds at four and one-half per cent., we will say—four and one-quarter ought to be a fair basis—and then put your money out again, and you are making on the basis of the re-issue the difference between four and a quarter and five and a half, or one and one-quarter per cent. extra.

Now, my idea of the way to start this institution is not to have any bond issue for the first year, perhaps, except for the benefit of the central institution. Let it get strong. Let it accumulate enough income so that it is strong, if necessary. If it has an office, let it be with some of the savings and loan associations, and pay part of the rent. I would not put it

under the protection of any trust company, I do not care how big, at first.

If it is done, it must be started economically. Some of you men must give your services, making it a matter of public service, of personal sacrifice, for the public benefit. It is not a new thing for some of you to do that. Some of you men have given much time out of your own business to the development of this new idea, and it will not be any new thing for you to do it.

President Scott—I am confident that I voice the sentiment of every member of the convention in sincerely thanking Mr. Skinner for this instructive address.

Mr. Thomas F. Larkin (Brooklyn)—I move you, sir, that the thanks of this convention be extended to the Superintendent of Banks, for his kindness in allowing his deputy to come here and address us, and also our thanks, personally, to Mr. Skinner, for his very able, interesting and instructive address this morning.

Adopted.

MANNER OF ENROLLING IN THE LAND BANK.

1. The Board of Directors should first vote that their association be a member of the Land Bank and agree to submit the by-law for that purpose to their shareholders.
2. Notify the Superintendent of Banks, giving a copy of the by-law to be adopted. Please also notify the organization committee through its acting secretary.
3. The by-law should be submitted to the shareholders in accordance with section 410 of the Banking Law.
4. Upon the adoption of the by-law give formal notice to the Superintendent of Banks, who will supply credentials and call a meeting for the purpose of incorporating the Land Bank during the month of September.

